



Policy Title	Financial Reserves		
Policy Number	CPA 2019-09	Amended Date:	02/04/2021

1. PURPOSE

Adequate reserves will enable CPA to satisfy working capital requirements, procure energy at competitive rates, adhere to contractual covenants, obtain and maintain an investment grade credit rating, cover unanticipated expenditures, and support rate stability.

The Reserve Policy outlines the appropriate target levels (minimum and maximum) of reserves. Reserves are defined as the Net Position plus funds held in the Fiscal Stabilization Fund. The Net Position represents the difference between CPA's assets and liabilities as defined by the Government Accounting Standards Board and consistent with generally accepted accounting principles. The Fiscal Stabilization Fund is governed by CPA's Fiscal Stabilization Fund Policy.

2. POLICY

Reserve Target Levels

CPA shall grow reserves to maintain a minimum reserve target equal to 30% of total operating budget expenditures, with a goal of increasing the reserve to a maximum reserve target of 50% of total operating budget expenditures. Reserves shall not exceed 60% of total operating budget expenditures.

Operating budget expenditures consist of operating expenses and the cost of energy. Reserve percentages and target percentages represent reserves divided by the current year's total operating budget expenditures.

Reserves shall support the goal of securing 120 days liquidity on hand.ⁱ

Funding the Target Amount

Funding reserves will come from an excess of revenues over expenditures. The contribution to reserves is determined through CPA's budgeting and rate setting processes and events impacting revenues and expenditures that occur during the year.

Excess Reserves

If reserve funds exceed the maximum level, CPA will consider enhancing programs expenditures, capital improvements, paying down debt, and reducing rates.

Periodic Review of Targets

If CPA's risks decline or new risk factors emerge as a result of changes in the industry, legislation, or economic conditions, the reserve target will be reviewed, and the funding level may be adjusted accordingly.

Reporting

Reserve levels will be monitored during the fiscal year and reported in CPA's annual audited financial statements.

ⁱ Days liquidity on hand = (unrestricted cash and investments + unused bank lines of credit) x 365 / (operating expenses for the current year)